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SUBJECT: FRAMATOME/PARTNER IN NUCLEAR POWER

REF A) 04 Paris 8615

B) 04 Paris 7832

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1. Please direct this message to the Commerce Department Advocacy Center.

2. Summary: On April 18, Embassy Science Officers visited Framatome headquarters, a subsidiary of GOF majority-owned Areva, which provides nuclear power reactors, fuel, and support services not only in France, but around the world. In fact, Framatome executives claim that Areva is the largest nuclear supplier company in the U.S., with substantial investments in manufacturing and service facilities, as well as human capital. Framatome executives informed Science Officers that they had met with the Commerce Advocacy Center on March 23 in connection with possible advocacy for Areva's recent bid for building four nuclear power plant islands in China. We understand that Areva has formally submitted advocacy paperwork to Commerce for consideration and representatives from Areva plan to revisit the Advocacy Center again on May 6 to discuss the request. End Summary.

Who are Areva and Framatome?

3. Areva was formed from pre-existing mostly nuclear-related entities in 2001, and its subsidiaries -- Cogema, Framatome, Technicatome, FCI, and Areva T&D -- provide the full range of nuclear power services including mining, fuel production, reactor construction, operating services, instrumentation and controls, spent fuel disposition, and power transmission and distribution. Areva is 96 percent-owned by the GOF, with private investors holding the remainder. Further, deeper partial privatization of Areva is expected before the end of 2006. (See ref A and para 9, below.)

4. Framatome ANP is a 66/34 joint venture of Areva and Siemens that manufactures reactors and control systems, produces nuclear fuel, and provides maintenance and repair services. It has a German and a U.S. subsidiary, the latter of which was initiated with the purchase of Babcock and Wilcox. Framatome-ANP has a slight edge over BNFL (owner of Westinghouse) for the most installed nuclear facilities (98 reactors) in the world, according to Framatome figures. Ref A is a detailed report regarding Areva prepared prior to Areva's submission of the China bid.

What are current Framatome projects?

5. Framatome recently won the bid to construct a first of its kind EPR (Evolutionary or European Pressure Reactor) in Olkiluoto, Finland. The reactor's unprecedented 1600 megawatt designed output is to yield a total cost per kilowatt hour of 2.5 euro cents (based on contemporary costs for Uranium), allegedly the deciding factor in a contest with proposals from Westinghouse and Minatom (Russian manufacturer) with 1200 and 1000 MW respective outputs. The EPR is based on improvements to Framatome's N4 and Siemens Konvoi reactors, respectively. It includes safety and security enhancements such as a "core catcher" design to isolate and mitigate potential core meltdown and a thick, double concrete wall designed to withstand the impact of a 747-sized aircraft. Framatome will be building a similar new EPR at the French Flamanville site (ref B). EDF partnered in the development of the EPR's steam supply system and will serve as its own architect for the Flamanville project. Consequently, only the turbine and other sub-contracts of will be open to competitive bids.

Advocacy Being Requested.

6. Framatome executives highlighted that the company's

U.S. subsidiary, with acknowledged French ownership, employs more than 3,000 Americans. Areva and Framatome executives visited Commerce's Advocacy Center in Washington on March 23 to discuss the possibility of U.S. advocacy for Areva/Framatome's bid for four nuclear islands in Yangjiang and Sanmen, China. U.S. Eximbank has provided an expression of financing for Westinghouse's bid for the same project. While not providing details, Framatome executives claimed to Embassy Officers that the AREVA China bid will have significant U.S. content and should be a plus for the U.S. in the event AREVA wins the bid.

17. Framatome executives said that it planned to use components from the U.S. subsidiary in support of their China bid. They alleged some of Westinghouse's components would be manufactured in Asia if Westinghouse wins the competition. They also claimed that Westinghouse's partner in the bid for creating the 'conventional island,' or non-nuclear portion of the power generation package, Mitsubishi, has been promoting the bid in China as a Japanese -- and not U.S. -- bid. However, in the current anti-Japanese environment, Framatome representatives see their competitors backing off emphasis of Japanese content.

18. We understand that Framatome's U.S. subsidiary has revised and formally submitted a petition for support to the USDOC advocacy center and has a meeting scheduled with Commerce officials on May 6.

Areva up for partial sale?

19. In one of his first acts as France's new Finance Minister, Thierry Breton said the earliest the anticipated partial Areva privatization would take place is 2006, rather than in 2005 as previously announced. He has chosen to first focus on privatizing the state gas and electricity monopolies of GDF and EDF. The eventual Areva offering will raise the current level of traded shares to 35 or 40 percent of valuation, while maintaining control in the hands of the GOF.

10. COMMENT: The Embassy maintains excellent relations with the Areva group of companies, one of which is a contractor to the U.S. Department of Energy. Should the Advocacy Center require further details which would assist in any Areva or Framatome advocacy decision, the Embassy stands ready to assist. END COMMENT

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